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Tax Rate Season is Underway

Here at DLS, the changing season from September to October is marked not just by falling leaves and the vivid colors of fall foliage, but by the onrush of tax rate and balance sheet approvals and certifications of free cash and property values.

The Bureau of Accounts has already approved 24 tax rates, slightly ahead of last year's pace, and certified \$404 million in free cash from 84 balance sheets while the Bureau of Local Assessment has issued 23 preliminary certifications and four final certifications for those communities in the triennial property revaluation process.

The new DLS pilot program, TAP (Taxpayer Assistance Program), is also underway in the 13 communities that signed up in the spring. One of those, East Bridgewater, has already certified its tax rate nearly a month ahead of the schedule town officials proposed in June, and nearly two months ahead of the setting of last year's tax rate. The TAP program is designed to promote the setting of tax rates before December 1, when the flow of tax rate certification requests turns into a blizzard in the three weeks before the December holidays.

I urge local officials to take advantage of the expertise available to you in the field representatives who work for the Bureau of Accounts and Bureau of Local Assessment. If you have questions or concerns about the reviews that are being conducted now or will be conducted shortly, call or email them. It is better to pose questions and receive answers now than to have DLS asking questions in December.

I also want to note the start this week of the new Applied Concepts in Municipal Finance course DLS is piloting this fall. Hailing from cities and towns across the Commonwealth, 33 local officials attended the opening session on Tuesday at Tufts Veterinary School in Grafton. The course will provide an introduction to municipal finance as outlined in Massachusetts General Law through property assessment,

classification, taxation and the organization and role of the Division of Local Services therein. Participants will gain an understanding of general concepts, practices and systems in the goal expanding their skillset and understanding of the interconnectivity of state and local government. We're looking forward to the upcoming sessions and believe this may serve as a model for future educational opportunities hosted by DLS.

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Ask DLS

This month's *Ask DLS* features frequently asked questions regarding the procedural requirements a charitable or religious organization must follow in order to obtain a property tax exemption. Please let us know if you have other areas of interest or send a question to cityandtown@dor.state.ma.us. We would like to hear from you.

Does a charitable or religious organization qualify for a property tax exemption?

Yes. Institutions and organizations, such as hospitals, schools, churches and cultural facilities, may qualify for exemption from local taxes on real and personal property they own on July 1, the beginning of the fiscal year. These exemptions are found in [MGL c. 59, sec. 5, Clauses 3 \(real and personal property of charitable organizations\), 10 \(personal property of religious organizations\) and 11 \(houses of worship and parsonages of religious organizations\)](#). However, a religious or charitable organization is not automatically exempt from local taxation when it organizes or acquires property. It must meet specific eligibility criteria and follow certain procedures to obtain an exemption.

What procedures must a charitable organization follow to obtain a local property tax exemption?

A charitable organization must make an initial application to the assessors in the first fiscal year it claims exempt status for its personal property, or for a particular parcel of real property. The organization may use a charitable exemption application form ([State Tax Form 1-B-3](#)) or an abatement application ([State Tax Form 128](#)) to apply. The application deadline for any year is the same as the deadline for property tax abatement applications, i.e., the date the first actual tax installment for the year is due.

For example, a charitable organization buys a parcel of real property in January 2014 and begins operating there in June 2014. To receive an

exemption for fiscal year 2015 beginning on July 1, 2014, it must apply to the assessors for exemption of that parcel, and any personal property it owns, on or before the deadline for applying for abatement of fiscal year 2015 taxes.

If the organization buys another parcel in December 2016, it would have to apply to establish an exemption for that parcel for fiscal year 2018, beginning on July 1, 2017. That application would be due on or before the deadline for fiscal year 2018 abatement applications.

Once an exemption is established for personal property, or a particular parcel of real property, no further application is required, provided there is no change in ownership, occupancy or other eligibility criteria.

In addition, however, every charitable organization that owns real and personal property on January 1 for which it claims exemption for the fiscal year that begins on the next July 1 must file a property return ([Form 3ABC](#)) with the assessors in order to receive or continue an exemption for that year. [MGL c. 59, sec. 5, Clause 3\(b\)](#). If the charitable organization is required to register and file an annual report ([Form PC](#)) with the Public Charities Division of the Attorney General's Office, it must attach a copy of its most recent Form PC to its Form 3ABC.

For example, a charitable organization buys a parcel of real property in January 2014 and begins operating there in April 2014. To receive an exemption for fiscal year 2015 beginning on July 1, 2014, it must apply to the assessors, but it would not have to have filed a Form 3ABC because it did not own the property for which an exemption is claimed on January 1. However, if the organization had bought the property in September 2013 and moved there in December 2013, it would have to have filed a Form 3ABC in addition to its exemption application in order to receive an exemption for fiscal year 2015. In both cases, the organization would have to file a Form 3ABC for subsequent fiscal years so long as it owns real and personal property on January 1.

What information must a charitable organization include with its exemption application?

A charitable organization must include with its exemption application whatever supporting information is reasonably required by the assessors to establish eligibility. This information may include, but is not limited to:

- Articles of incorporation, charter or declaration of trust.
- Organization by-laws.
- Identification of officers, directors or trustees.
- Description of charitable activities.

- Description of the use of the property, including use by all lessees or other occupants.
- Information about compensation arrangements for officers and key employees.

What is the due date for filing the Form 3ABC and may it be extended or waived?

The Form 3ABC must be received in the assessors' office on or before March 1. However, the assessors can extend the March 1 deadline if the charitable organization makes a written request and demonstrates a good reason for not filing on time. The latest the filing deadline can be extended to is the last day for applying for abatement of the tax for the fiscal year to which the return relates (the date the first actual tax installment for the year is due). [MGL c. 59, sec. 29](#).

The requirement to file the return is a jurisdictional prerequisite to an exemption for any property owned by the charitable organization on January 1. An organization that fails to file the return is not exempt for the year. [MGL c. 59, sec. 5, Clause 3\(b\)](#). [Children's Hospital Medical Center v. Assessors of Boston](#), 388 Mass. 832 (1983). No exemption can be granted by the assessors or appeal reviewed by the ATB.

Is a religious organization required to file an annual Form 3ABC to obtain a property tax exemption?

No, unless it is seeking an exemption as a charitable organization for real property it owns and uses for other than a house of worship or parsonage, for example, a school, health care or social service facility. A religious organization does not have to file any specific application form to establish exempt status for a house of worship or parsonage. If it is claiming exemption for the first time, or for property not previously exempt as a house of worship or parsonage, however, it would want to contact the assessors' office and provide the information needed to establish exempt status and have the property removed from the tax rolls.

If a charitable organization receives a tax bill even if it had applied for exemption for the year, or been granted an exemption in a prior year, must it apply to the assessors for an abatement?

If a tax bill is issued in any fiscal year, a charitable organization would have to do one of the following to obtain the exemption:

- Apply for abatement to the assessors on or before the due date for abatement applications for that fiscal year. [MGL c. 59, sec. 59](#). If the assessors deny the application, the organization may appeal to the Appellate Tax Board (ATB) within three months of the date the assessors denied the exemption, or it was deemed

denied. To maintain the appeal, the organization must pay at least one-half of the personal property tax it is contesting. If the appeal involves a real estate parcel with a tax over \$3,000, it must pay each actual tax installment on time or, alternatively, pay an amount equal to the average tax assessed, reduced by abatements, for the preceding three years. [MGL c. 59, secs. 64 and 65](#).

- Appeal directly to the ATB within three months of the assessors' determination that its property is not eligible for a charitable exemption. The issuance of a tax bill on the property is considered a determination of non-eligibility for purposes of a direct appeal. Payment of the tax is not required to take a direct appeal. [MGL c. 59, sec. 5B](#).
- Pay the tax and bring suit to recover the amount within 90 days. [MGL c. 60, sec. 98](#). See [New England Legal Foundation v. City of Boston](#), 423 Mass. 602 (1996).

Will the Qualified Bond Program Work for Your Community or District?

Lisa Krzywicki - Municipal Databank Director

The Qualified Bond Act, MGL Chapter 44A, allows cities, towns and regional school districts to issue general obligation bonds with the state paying the debt service directly from the municipality's or district's local aid. Bonds issued through the program benefit from the strength of the state's credit rating since the payment source is state aid subject to appropriation. This, in turn, results in lower interest rates on debt issuances than might otherwise be possible if the debt were paid locally.

At first, the Qualified Bond Act was an appealing option for fiscally distressed communities that may have had difficulty accessing the bond market. As time has passed, it has become appealing to many communities and regional school districts, both those in fiscal distress and those that would simply benefit from a lower interest rate using the Qualified Bond program. Currently, there is more than \$2 billion in total outstanding principal and interest for bonds and notes issued under the qualified bond program.

The Qualified Bond Act was added to the Massachusetts General Laws in 1980. However, the first municipal general obligation bond wasn't issued through the program until FY1992. It was a \$12.5 million municipal purpose loan issued by the City of Lowell. Popularity of the program emerged slowly after that. Between FY1992 and FY1996 only six communities (Amesbury, Beverly, Brockton, Lawrence, Lowell and Revere) had issued debt using the qualified bond program. As of

FY1996, Lowell had issued five general obligation bonds under the program and Lawrence had issued two, the remaining four communities had only one qualified bond each. The total annual debt service for these six communities totaled \$26.3 million in principal and interest payments.

By FY2014, there were thirty-five communities and fifteen regional school districts that issued debt using the qualified bond program. There are 128 general obligation bonds outstanding and the total annual debt service on these bonds is \$226.5 million which is deducted from each participant's monthly local aid payments. As you can see from Table 1 below, the communities participating in the qualified bond program vary greatly, most are cities with total budgets in excess of \$150 million, but there are some smaller towns like Hinsdale, Monson, Orange and Rutland that have also used the qualified bond program. Table 1 also shows the total amount of principal and interest outstanding as of FY2015 and the FY2015 debt service for those communities and regional schools participating in the program.

Table 1.

Municipality	2012 Population	Moody's Bond Rating	S&P Bond Rating	Total Qualified Bond Principal and Interest Outstanding	FY2015 Qualified Bond Debt Service
Brockton	94,094	Aa3	AA-	8,575,342	675,382
Chelsea	36,828	A1	AA	1,275,755	212,352
Clinton	13,668	A1		5,032,911	498,566
Easthampton	16,007	A1	A+	17,069,500	1,128,750
Everett	42,567	Aa3	AA	7,627,025	1,270,650
Fall River	88,945	A1	A-	90,189,648	7,846,549
Fitchburg	40,411	A1	A+	21,103,936	3,544,650
Gloucester	29,191	Aa3	AA	6,598,150	607,400
Greenfield	17,553	A1	AA-	43,338,525	2,157,151
Haverhill	61,797	A1	AA	44,646,444	7,732,754
Hinsdale	2,010			575,375	72,500
Holyoke	40,135	A1		101,241,033	6,051,490
Lawrence	77,326	Baa1	A-	108,210,107	29,306,094
Lowell	108,522	A1	AA-	167,660,171	19,116,558
Lynn	91,253	A1	AA+	86,295,898	10,049,074
Medford	57,033	A1	AA	75,838,808	6,369,390
Medway	12,884	A1	AA	8,953,744	895,851
Merrimac	6,517	A1		4,451,119	551,536
Methuen	48,009	A1		17,124,922	875,314
Monson	8,679	A1		1,746,150	227,450
New Bedford	94,929	A1	AA-	116,023,032	11,232,398
Newton	86,307	Aaa		167,545,038	6,839,406
Orange	7,821	A2		163,544	163,544
Palmer	12,152	A1		12,066,154	793,120
Pittsfield	44,168	A1	A+	83,407,064	10,022,196
Quincy	93,027	Aa3	AA+	72,519,405	3,318,833
Revere	53,179	A1	AA-	60,463,876	3,710,771
Rockland	17,580	A1	AA-	57,395,029	3,087,736
Rutland	8,185	A1		3,171,136	333,576
Salem	42,219	Aa3	AA	64,607,145	4,766,782
Saugus	27,338	A2		21,932,289	1,336,601
Somerville	77,104	Aa2	AA+	8,211,764	681,518
Southbridge	16,799	A1	AA-	4,716,962	535,412
Springfield	153,552	A2	AA-	253,564,362	34,535,604
Stoughton	27,849	A1		7,017,648	1,029,126
Swansea	16,010	A1	AA-	1,554,762	256,760
Taunton	56,055	A1	AA-	39,816,273	5,468,991
Westfield	41,399	A1	AA-	85,056,339	5,730,043
City and Town Total				1,876,786,384	193,031,878

Regional School	Total Qualified Bond Principal and Interest Outstanding	FY2015 Qualified Bond Debt Service
Adams Cheshire	7,075,750	372,700
Athol Royalston	248,601	248,601
Ayer Shirley	27,890,714	1,393,475
Central Berkshire	3,028,847	291,008
Gill Montague	1,625,712	160,756
Greater Lawrence	26,996,025	3,768,175
Greater New Bedford	2,451,572	170,484
Groton Dunstable	16,575,425	2,404,950
Hampshire	3,120,850	554,925
Mohawk Trail	1,495,300	182,200
Nashoba	4,678,516	496,866
Pentucket	16,596,104	806,768
Pioneer Valley	1,071,200	540,750
Ralph C. Mahar	2,612,724	258,257
Somerset Berkley	14,674,883	590,333
Southeastern	8,546,656	436,876
Southern Worcester	13,985,622	1,030,346
Spencer East Brookfield	1,174,598	1,174,598
Wachusett	13,591,572	1,361,272
Regional School Total	160,364,921	15,870,640
State-Wide Total	2,037,151,305	208,902,518

Does the qualified bond program sound like it would work for your community or district? Before you answer that, it is important to note that the ability to access this program is not automatic. Before a community can issue a qualified bond, it must receive approval from the Municipal Finance Oversight Board (MFOB). The MFOB consists of the State Attorney General, State Treasurer, State Auditor, and the Director of Accounts in the Division of Local Services, or their designees.

The municipal treasurer, with the approval of the legislative body, or a regional school district treasurer, with the approval of the regional school committee, may submit an application to the MFOB for review. Before submitting the application, a request for a coverage analysis is made to the Division of Local Services' Municipal Databank. The purpose of the coverage analysis is to ensure that sufficient state aid is available to cover the new debt service. Within sixty days, the MFOB will review the coverage analysis and application. It then votes in accordance with the provisions of Chapter 44A making the determination as to whether the city, town or regional school district will be authorized to issue qualified bonds or notes. Authorization must be approved by a majority of the board members.

With qualified bonds, the State Treasurer acts as the paying agent and makes the payment directly to the bond holder. To cover the debt service, the Division sends a payment to the State Treasurer on the community's or district's behalf from their monthly local aid. The amount of the bond payment essentially represents an advance of the amount the Commonwealth will pay at the end of the month. Using this system creates added security that the payment will be made in whole and on time.

Even though the qualified bond debt service is being paid using local aid revenue, the community or district must still appropriate the annual debt service, record monthly local aid payments in the gross amount and charge the qualified bond debt service to the appropriation.

The Qualified Bond Act also provides for an assessment against the community or district for the amount of interest the Commonwealth lost in advancing local aid. In the past, the total assessment for lost interest to the Commonwealth has been \$96,638 in FY2010, \$75,586 in FY2011, \$67,530 in FY2012 and \$54,062 for FY2013. In FY2014, with more frequent monthly local aid payments, the total assessment for the lost interest will be \$31,891, which is nearly 50 percent lower than FY2013. This assessment is deducted annually from the June local aid payment. When calculating the interest assessment, the State Treasurer uses the monthly interest yields of the Massachusetts Municipal Depository Trust (MMDT). Table 2 lists the historical interest rates by month which the State Treasurer used to calculate the lost interest.

Table 2

<i>MASSACHUSETTS MUNICIPAL DEPOSITORY TRUST (MMDT) -- MONTHLY YIELDS</i>							
	2008	2009	2010	2011	2012	2013	2014
July	5.31	2.74	0.80	0.35	0.22	0.29	0.20
August	5.37	2.78	0.89	0.38	0.22	0.28	0.20
September	5.41	2.82	0.80	0.33	0.21	0.26	0.20
October	5.31	3.23	0.50	0.33	0.24	0.23	0.19
November	5.08	2.84	0.42	0.30	0.27	0.21	0.20
December	4.97	2.19	0.36	0.30	0.31	0.21	0.19
January	4.79	1.84	0.33	0.30	0.33	0.18	0.18
February	4.08	1.46	0.32	0.29	0.33	0.15	0.19
March	3.55	1.29	0.29	0.29	0.32	0.20	0.19
April	3.04	1.18	0.28	0.29	0.30	0.21	0.19
May	2.88	1.01	0.30	0.25	0.28	0.20	0.17
June	2.72	0.89	0.33	0.23	0.27	0.19	0.18
Average	4.38	2.02	0.44	0.30	0.28	0.22	0.19

As you can see from the historical data, the interest rate used by the State Treasurer to calculate the amount of lost interest to the Commonwealth for the advance of local aid has been reasonable and, in the last few years, extremely low.

If after reading this article you believe the qualified bond program may be a benefit to your community or school district, contact your financial advisor or Bill Arrigal of the Division of Local Services' Public Finance Section in the Bureau of Accounts at (617) 626-2399 or arrigal@dor.state.ma.us.

Amnesty Tax Offer for Some Massachusetts

Taxpayers

MA Department of Revenue

Spread the word! The Massachusetts Department of Revenue (DOR) is holding a two month amnesty program designed to encourage the payment of delinquent taxes by individuals and businesses. The program, which will run from September 1 through October 31, applies to certain tax liabilities billed on or before July 1, 2014. In September, qualifying taxpayers will receive a Tax Amnesty Notice from the Department of Revenue notifying them that they qualify for the tax amnesty program. Notices will provide taxpayers with their individual period balance, amount of unpaid penalty to be waived if the amnesty balance is paid in full by the due date and the amnesty amount due. Taxpayers who qualify for the amnesty program have already been billed by DOR for their outstanding tax liability. Under the program, DOR will waive all assessed, unpaid penalties for taxpayers who respond by making a full payment on all outstanding taxes and interest for any period listed on the notice by the October 31 deadline.

The amnesty program covers a variety of individual and business tax types including: individual income tax, withholding tax, sales and use tax, meals tax, meals tax local option, personal use tax, cigarette individual excise tax and cigar/smoking tobacco tax.

For more information about the program and how to participate, DOR has set up a [webpage](#) and [Frequently Asked Questions](#).

October Municipal Calendar

October 1	Collector	Mail Semi-Annual Tax Bills For communities using the regular semi-annual payment system, actual tax bills or optional preliminary bills should be mailed by this date.
October 1	Taxpayer	Semi-Annual Preliminary Tax Bill - Deadline for Paying Without Interest According to MGL Ch. 59, Sec. 57C, this is the deadline for receipt of the preliminary tax payment without interest in communities using the annual preliminary tax billing system, unless the bills were mailed after

		<p>August 1. If mailed after August 1, the payment is due November 1, or 30 days after the bills were mailed, whichever is later.</p>
October 1	Taxpayer	<p>Deadline for Applying to Have Land Classified as Agricultural/Horticultural Land or Recreational Land, MGL Ch. 61A and Ch. 61B</p> <p>According to MGL Ch. 61A, Sections 6 and 8, and Ch. 61B, Sections 3 and 5, this is the deadline to apply to Assessors to have land valued, taxed and classified as agricultural/horticultural or recreational land in the next fiscal year, unless a revaluation program is being conducted for that fiscal year. Under MGL Ch. 59, Section 38 and DOR guidelines, Assessors must review all property valuations and make adjustments to ensure current fair cash valuations every year. Because a revaluation program is being conducted every year, taxpayers who do not submit their applications by October 1 have until 30 days after the actual tax bills for the fiscal year are mailed to apply.</p>
October 15	Superintendent	Submit School Foundation Enrollment Report to DESE
October 31	Accountant	<p>Submit Schedule A for Prior Fiscal Year</p> <p>This report is a statement of the revenues received, expenditures made and all other transactions related to the community's finances during the previous fiscal year. The Schedule A classifies revenues and expenditures into</p>

		<p>detailed categories that will provide information essential for an analysis of revenues and expenditures generated by various departments. This data, like other financial information reported to DOR, is entered into DOR's Municipal Databank; as such, the Department may provide time series, comparative and other types of analyses at the request of a city or town. This information is also sent to the US Census Bureau and eliminates a prior federal reporting requirement. Failure to file by October 31 may result in withholding major distributions of state aid until the Schedule A is accepted by BOA.</p>
October 31	Selectmen	<p>Begin Establishing Next Fiscal Year Budget Guidelines and Request Department Budgets</p>
October 31	Assessors	<p>Begin Work on Tax Rate Recapitulation Sheet (to set tax rate for annual preliminary tax bill communities)</p> <p>A community that uses the annual preliminary tax bill system (on a quarterly or semiannual basis) should begin gathering tax recap information in order to have enough time for the tax rate to be set and tax bills mailed by December 31. See August's Complete Tax Rate Recapitulation Sheet.</p>
Final Day of Each Month	State Treasurer	<p>Notification of monthly local aid distribution.</p> <p>Click www.mass.gov/treasury/cash-management to view distribution breakdown.</p>

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